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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
ENERGY DIVISION
I.D. # 4384
RESOLUTION G-3377

April 7, 2005

R E S O L U T I O N

Resolution G-3377. Southern California Gas Company (SoCalGas) in Advice Letter 3425 requests approval of an open season for allocation of firm transmission service to the Rainbow Corridor commencing on May 1, 2005 and San Diego Gas and Electric (SDG&E) in Advice Letter 1488-G requests approval of an open season for firm noncore gas service commencing on May 1, 2005. This resolution denies Advice Letter 3425 without prejudice, and approves Advice Letter 1488-G with modification.

By SoCalGas Advice Letter 3425 filed on November 8, 2004 and SDG&E Advice Letter 1488-G filed on November 8, 2004.

SUMMARY

This Resolution consolidates two Advice Letters filed by SoCalGas and SDG&E on November 8, 2004 requesting authorization to hold open seasons in the Rainbow Corridor and the SDG&E service territory. Key elements of this Resolution are summarized below:

- 1. SoCalGas AL 3425 is denied without prejudice.**
 - a. We direct SoCalGas to file supplemental testimony in Application (A.) 04-12-004 to provide a detailed explanation of potential capacity constraints along the Rainbow Corridor and how the pipeline capacity in the Rainbow Corridor could affect the system integration proposal in that application. Earlier open seasons were only ordered in two SoCalGas areas in Decision (D.) 02-11-073, and only after evidentiary hearings.**

- b. We are reluctant to order an open season for SoCalGas' Rainbow Corridor in the absence of a compelling need for an open season, and the lack of a sufficiently informative resource plan from SoCalGas.
 - c. We would like to examine the potential implication of a constraint in the Rainbow Corridor both on SDG&E and SoCalGas customers and on the viability of the system integration proposal made by SoCalGas and SDG&E in A.04-12-004.
- 2. SDG&E AL 1488-G is approved with modifications.
 - a. SDG&E is directed to file a supplemental Advice Letter within 5 days to remove references to the SoCalGas open season for the Rainbow Corridor.
 - b. SDG&E's capacity constraints were already examined in I.00-11-002, SDG&E has not expanded its transmission capacity since that time, and there may still be reason to allocate firm capacity rights in the SDG&E territory for the upcoming 2-year period.
- 3. We deny the protests of The Electric Generator Alliance (EGA) and Transcanada's GTN and North Baja Systems (Transcanada) as far as they relate to SDG&E AL 1488-G.
- 4. The protests of the Southern California Generation Coalition (SCGC), EGA, and Transcanada against an open season by SoCalGas for the Rainbow Corridor are granted in that we are denying the open season proposal at this time.

BACKGROUND

An "open season" might be held by a utility or pipeline company to determine the level of interest by customers in holding firm capacity rights, particularly when there is the possibility that capacity might be over-subscribed.

An open season might be held for firm capacity rights on, for example, a transmission pipeline, or for storage capacity rights. During the open season, customers generally express the amount of firm capacity they're interested in confidentially. Customers may

also need to bid a price they're willing to pay for those firm capacity rights, or the price terms may be known ahead of time, and they may simply request a certain amount of capacity.

In SDG&E AL 1488-G, SDG&E requests approval to hold an open season to provide noncore customers with firm natural gas transportation service. The open season was proposed to start March 1, 2005 and close March 31, 2005.

In AL 3425, SoCalGas proposes to hold a Rainbow Corridor open season concurrently with an SDG&E open season, for the SDG&E service territory, proposed in SDG&E AL 1488-G.

The Commission issued Decision (D.) 02-11-073 which among other things, ordered SDG&E to hold an open season for firm noncore gas transmission service commencing on April 1, 2003. In the same decision, SoCalGas was ordered to hold two open seasons, one in the Imperial Valley and one in the San Joaquin Valley.

On November 2, 2000, the Commission initiated Investigation (I.) 00-11-002 into the adequacy of SoCalGas' and SDG&E' gas transmission systems to serve the needs of core and noncore gas customers of SDG&E. As a result of this investigation, the Commission issued Decision (D.) 02-11-073 which among other things, ordered SDG&E to hold an open season for firm noncore gas transmission service commencing on April 1, 2003. The SDG&E open season was subsequently extended by one month to offer noncore customers the option of bidding for firm capacity by the hour as well as by the day. In the same decision, SoCalGas was ordered to hold two open seasons, one in the Imperial Valley and one in the San Joaquin Valley. All open seasons were to be in effect for two years. As stated in D.02-11-073, "Open seasons can test the need for further expansions beyond those indicated by application of the planning criteria and can attract customers by offering them flexible terms and conditions and tradable rights to capacity. Open seasons can be a useful source of information

about customers' plans, but should not serve as a substitute for thoughtful system planning."¹

In AL 3425, SoCalGas states that it has received several inquiries from customers served from Line 1027, Line 1028, and Line 6900, in what is known as the Rainbow Corridor, regarding its ability to provide new firm transportation service.

These three pipelines run parallel to each other and serve several Riverside County communities in addition to providing SDG&E with approximately 95 per cent of its gas supply. SoCalGas indicates that it has adequate capacity in the Rainbow Corridor to meet the firm service requirements of its existing customers and to meet the Commission approved design conditions as specified in D.02-11-073. However, SoCalGas believes that should demand for firm service on its system in the Rainbow Corridor increase beyond that forecasted, its capacity to provide firm service to SDG&E would be disproportionately reduced. This results from the reduced delivery pressure that would result at Rainbow Station, the entrance into the SDG&E system.

SoCalGas believes that holding the open season simultaneously with SDG&E will allow both utilities to determine concurrently: (1) requests for firm service by SoCalGas and SDG&E customers, and (2) if both utilities have sufficient capacity collectively and on an equivalent basis to meet those requests.

SoCalGas proposes that its open season will be for all noncore eligible customers including: (1) SoCalGas noncore customers, including affiliates, that take service off the Rainbow Corridor pipelines, (2) SDG&E wholesale service for its firm noncore customers, and (3) SDG&E noncore commercial and industrial and electric generation transportation customers, including affiliates, taking service under SoCalGas Schedule No. GT-SD. The utilities propose that both open seasons start March 1, 2005 and close March 31, 2005, and that the award of firm service be in effect for a 24-month period

¹D.02-11-073, p. 32.

pursuant to provisions in SoCalGas Schedules No. GW-SD and GT-SD, effective May 1, 2005 through April 30, 2007.

In its AL 3425, SoCalGas states that due to the SDG&E wholesale contract and other firm contracts (approximately twelve) with SoCalGas that do not terminate until after May 1, 2005, firm capacity will be set aside for these customers under the terms of the existing service agreements until their contracts expire. Any firm capacity that is not subscribed by these contracts during the period May 1, 2005 through April 30, 2007 will be made available to firm noncore bidders in this open season. Both SoCalGas and SDG&E propose that should capacity be oversubscribed in their open season, the available capacity be prorated in accordance with the protocol established in D.02-11-073.

NOTICE

Notice of SoCalGas AL 3425 and SDG&E AL 1488-G was made by publication in the Commission's Daily Calendar. SoCalGas and SDG&E state that copies of the Advice Letters were mailed and distributed in accordance with Section III-G of General Order 96-A.

PROTESTS

SoCalGas AL 3425 was timely protested by SCGC, EGA, and TransCanada.

SDG&E AL 1488-G was timely protested by EGA and TransCanada.

For the purpose of this protest, EGA consists of Duke Energy North America and West Coast Power. The protestants oppose the open season proposed by SoCalGas and SDG&E on various grounds. SoCalGas and SDG&E jointly responded to the protests of SCGC, EGA, and TransCanada on December 6, 2004.

The following is a more detailed summary of the major issues raised in the protests:

SCGC recommends that AL 3425 be suspended for the maximum successive 120-day and 180-day periods because it has the potential to conflict with the Commission's decision in Application (A.) 04-12-004

SCGC protested SoCalGas AL 3425 on November 29, 2004. SCGC states that when SoCalGas was permitted to conduct open seasons on its Imperial Valley and San Joaquin Valley systems by D.02-11-073, these areas were considered to be local transmission systems which were deemed to be constrained areas. The Rainbow Corridor, however, is a major segment of the SoCalGas backbone system. It is the path for nearly all of the gas which flows southbound from SoCalGas to SDG&E.

SCGC expresses concern that the approach proposed by SoCalGas for allocating Rainbow Corridor capacity may conflict with whatever allocation methodology the Commission may ultimately adopt in A.04-12-004 wherein SDG&E and SoCalGas applied for authority to integrate their gas transmission rates, establish firm access rights, and provide off-system gas transportation services. Additionally, SCGC believes there is a lack of clarity and conflicting approaches about how SDG&E is to reserve capacity on the Rainbow Corridor to satisfy noncore customers that take bundled SoCalGas/SDG&E transportation service. SoCalGas' current Schedule GW-SD provides that SDG&E may elect full requirements service only for its own core customers' needs, while the Moreno South Constrained Area Amendment that SoCalGas proposes also provides for SDG&E to obtain "firm full requirements noncore requirements under this amendment." It is unclear to SCGC whether SDG&E noncore customers that take bundled transportation service will receive a full requirements set-aside of Rainbow Corridor capacity, or whether SDG&E must bid in SoCalGas' open season to serve those customers.

SCGC states that the advice letter should be rejected as being unclear about how SDG&E would acquire Rainbow Corridor capacity for its noncore customers that take service on a bundled basis.

On November 29, 2004, EGA protested both SoCalGas AL 3425 and SDG&E AL 1488-G. The first of EGA's concerns is that the utilities have failed to explain adequately why

an open season is needed at this time. EGA states that although D.02-11-073 instructed SDG&E to hold an open season, the decision clearly expected that the implementation of D.01-12-018, the decision which authorized Gas Industry Restructuring (GIR), would be reflected in the second open season and a system of tradable rights to capacity would be in place. For a variety of reasons D. 01-12-018 has yet to be implemented. EGA believes that SDG&E appears to have the ability to meet all of its current firm transportation customers' needs and to accommodate new requests for firm service, except for two new developments. The operation of the Palomar power plant in June 2006 represents a new large load. EGA argues that to the extent the Palomar plant displaces generation by existing, less efficient gas-fired plants, the demands on SDG&E's transportation system will decline, further relieving constraints on the system. The second new development is the companion open season for the Rainbow Corridor. SDG&E, as a wholesale customer of SoCalGas, is required to secure its projected firm transportation needs along with other SoCalGas customers. Advice Letter 1488-G requires SDG&E's noncore commercial and industrial and electric generation customers taking service under SoCalGas Schedule GT-SD to participate in SoCalGas' open season. SDG&E justifies its open season in part on the need to determine the amount of firm transportation it needs to obtain from SoCalGas in its open season.

EGA contends that in the absence of SoCalGas' open season, it is not apparent that SDG&E would have an operational need to conduct its open season and that the explanation offered in AL 3425 for conducting an open season now is extremely vague.

EGA suspects that SoCalGas can forecast the needs of its customers as well as EGA can and, indeed, has probably already done so. EGA points out that the 2004 California Gas Report projects that total system throughput for both SoCalGas and SDG&E will be lower in 2005 through 2007 than for 2004. EGA requests that before the Commission approves AL 3425, it require SoCalGas to identify the nature of the inquiries, the projects leading to the inquiries, and SoCalGas' evaluation of whether the inquiry is likely to result in a real project in the future. EGA proposes that if the Commission determines that the SoCalGas and SDG&E open seasons should be delayed until key

market structure issues are resolved, the Commission should direct the utilities to allow customers with existing firm service agreements to extend their existing contracts for the period of the delay.

The second basis for EGA's protest is that the advice letters make no attempt to accommodate the unique needs of generating units with Reliability Must Run (RMR) agreements.

Each year the California Independent System Operator (CAISO) selects units to provide reliability benefits to the electric grid due to their location for (RMR) agreements. The RMR agreements are for a calendar year (January through December) and give the CAISO the right to ask the units to operate whenever conditions on the grid require their operation to support system reliability. EGA points out that under the proposed open season, an RMR unit would be required to secure firm transmission through April 2007, even though it has no ability to know if its generation will be needed by the CAISO beyond December 31, 2005.

EGA indicates that when SDG&E held its last open season, many of the RMR units in SDG&E's territory had elected "Condition 1" which pays for only a portion of the unit's fixed costs, but allows the facility to make market sales and to use at least some of the firm transportation to make sales and to recover some of the costs of firm transportation through the market. EGA states that for this year, the largest RMR units are expected to elect Condition 2 which pays 100% of allowable fixed and variable costs, but removes any incentive for RMR units to make market sales. These costs, including use-or-pay charges for unused firm transportation, will be shifted to electric customers.

In the absence of a system of tradable rights for capacity, EGA believes that the owners of RMR units have no ability to mitigate the costs of use-or-pay charges for unused capacity.

To keep RMR costs as low as possible, and to accommodate the needs of units with RMR agreements, EGA suggests that units with RMR agreements for 2005 should be able to bid for firm transmission through December 31, 2005, with options to renew that

firm transmission (1) for another 12 months (through December 31, 2006) and (2) through the end of the open season term (through April 30, 2007). EGA states that if the unit is not selected for an RMR agreement in a subsequent calendar year, it could release its firm transmission rights. EGA believes that a system of tradable firm transmission rights would facilitate the release of any unneeded capacity. EGA believes that it is likely that any firm transmission that is released by a unit with an existing RMR agreement will be picked up by a plant that is newly designated for an RMR agreement provided that the Commission acts to facilitate capacity trades.

TransCanada states that the timing of the open seasons does not allow potential shippers to consider a viable alternative to the Rainbow Corridor, namely the path provided by the North Baja System, Gasoducto Bajanorte (GB) and Transportadora de Gas Natural (TGN) which together deliver gas into SDG&E's territory through the international border crossing at Otay Mesa

TransCanada protested SoCalGas AL 3425 and SDG&E AL 1488-G on November 29, 2004.. In D.04-09-022, the Phase 1 Decision of the Commission's Gas Supply Rulemaking, (R.) 04-01-025, the Commission directed SDG&E and SoCalGas to establish a receipt point at Otay Mesa at the earliest practical date. Although SoCalGas and SDG&E have indicated that they have not completed the necessary facility modifications at Otay Mesa to receive gas from TGN, on November 22, 2004, approximately 50 MMcf were delivered in response to an urgent request from SoCalGas. TransCanada states that until Otay Mesa is officially established as a receipt point, shippers whose end use loads are located on the SDG&E system will not have enough information to compare the value of the North Baja/GB/TGN path against the Rainbow Corridor option. TransCanada asks that the Commission direct SoCalGas and SDG&E to delay their open seasons for the Rainbow Corridor until Otay Mesa is established as a receipt point into the SDG&E system. Only then will shippers in San Diego have sufficient information to reasonably evaluate the competitive alternative to service provided via the SoCalGas system.

Response to Protests

On December 6, 2004, SoCalGas and SDG&E jointly responded to the protests of TransCanada, SCGC, and EGA.

SoCalGas and SDG&E believe that TransCanada misunderstands the role that supply delivered at Otay Mesa would play as it relates to the proposed Rainbow Corridor open season for the two-year period ending April 30, 2007.

While gas supply delivered at Otay Mesa could serve incremental demand in San Diego and potentially increase the overall level of demand that could be served by SoCalGas and SDG&E, it would not increase the level of firm service that SoCalGas could offer in the Rainbow Corridor or to SDG&E. Should supply at Otay Mesa be unavailable, or customers choose to deliver their gas supply at other locations on the SoCalGas system, SoCalGas states that it would have insufficient capacity in the Rainbow Corridor to meet the expanded level of firm service there and in San Diego and curtailment of firm noncore service would ensue. SoCalGas notes that the proposed open season will apply only in the period prior to the time that LNG terminals may be constructed in Mexico and LNG would become available to California gas consumers.

In response to SCGC's complaint that the approach proposed for allocating Rainbow Corridor capacity may conflict with whatever allocation methodology the Commission may ultimately adopt in A.04-12-004 which addresses system integration and firm access rights, SoCalGas states that that application deals with firm access rights into the system as a whole.

The Rainbow Corridor open season is seen by SoCalGas as simply an allocation of firm capacity on its local transmission system and is completely independent of any system of firm access rights. The Rainbow Corridor has a potential constraint inside the "city gate" which is beyond the scope of the Application. In response to SCGC's allegation that it is unclear whether SDG&E customers electing bundled transmission service will be part of the full requirements set aside for core requirements or not, SoCalGas includes an excerpt from the Moreno South Constrained Area Amendment which

specifically states that Full Requirements quantities are limited to SDG&E's forecast core requirements per Rate Schedule GW-SD. SDG&E's noncore transportation customer load is not part of SDG&E's core requirements.

In response to the protest of EGA, SoCalGas and SDG&E again state that the proposed open season relates to the allocation of firm transportation capacity on its local transmission systems and that their firm access rights proposal in A.04-12-004 has no impact on it.

By extension, the tradability of the firm access rights has no impact on the allocation of firm transmission service. SDG&E states that the Commission requires it by D.02-11-073 to conduct an open season for the allocation of firm capacity in the San Diego territory. An open season was originally conducted for firm service effective May 1, 2003 and AL 1488-G was submitted to address the next 24-month term, which should begin upon the expiration of the initial firm service period. With regard to EGA's protest that the advice letters fail to account for the special circumstances of generating plants that operate under RMR agreements with the CAISO, SDG&E states that EGA made a similar protest two years ago when SDG&E filed AL 1355-G to hold its initial SDG&E open season. The utilities then state that they do not believe that an advice letter proceeding is the appropriate venue to propose significant changes to Commission policy on the terms of firm natural gas transmission service.

DISCUSSION

The Commission has reviewed SoCalGas' AL 3425 and SDG&E's AL 1488-G, the protests thereto and SoCalGas' and SDG&E's response to these protests. This Resolution denies AL 3425 without prejudice and approves AL 1488-G with modifications.

SoCalGas AL # 3425:

Open seasons were only ordered in two SoCalGas areas in D.02-11-073, and only after evidentiary hearings.

The Commission ordered open seasons in only two SoCalGas areas- San Joaquin Valley and Imperial Valley- and only upon evidentiary hearings. Second, we are reluctant to order an open season for SoCalGas' Rainbow Corridor in the absence of a compelling need for an open season, and the lack of a sufficiently informative resource plan from SoCalGas. Third, we would like to examine the potential implication of a constraint in the Rainbow Corridor both on SDG&E and SoCalGas customers and on the viability of the system integration proposal made by SoCalGas and SDG&E in A.04-12-004. On the other hand, SDG&E's capacity constraints were already examined in I.00-11-002, SDG&E has not expanded their transmission capacity since that time, and there may still be reason to allocate firm capacity rights in the SDG&E territory for the upcoming 2-year period.

In AL 3425, SoCalGas proposes to apply the process established in D.02-11-073 for the open seasons in the San Joaquin Valley and Imperial Valley to the Rainbow Corridor. In AL 3425 SoCalGas attempts to portray D.02-11-073 as a Commission-approved methodology for dealing with capacity allocation in constrained areas in general. In fact, D.02-11-073 ordered open seasons to be held only in SoCalGas territory in the San Joaquin and Imperial Valleys. The decision makes no provision for applying the open season process to any other area in SoCalGas service territory. SoCalGas classifies the Rainbow Corridor (lines 1027, 1028 and 6900) as a local transmission line, within its system, which it is. However, we find SoCalGas' classification of the Rainbow Corridor as solely a local transmission line to be a narrow viewpoint. Approximately 95 per cent of SDG&E's gas is transported into its system through the Rainbow Corridor. Because of the critical function the Rainbow Corridor has for SDG&E, it acts as a receipt point and backbone transmission line into the SDG&E service territory. To describe the Rainbow Corridor solely as a local transmission line on SoCalGas' system is a misrepresentation of the critical role it plays on the SDG&E system.

According to SoCalGas “it did not have any plans for expansion in the Rainbow Corridor based solely on a request for firm service in excess of available capacity in this Open Season.”²

In its Advice Letter, SoCalGas states that it has received inquiries regarding potential requests for firm service in the Rainbow Corridor and the results of an open season will show the seriousness of the recent inquiries and may provide an indicator for SDG&E to address the possible capacity constraints on its system. However, in response to an Energy Division Data Request and in a subsequent meeting, SoCalGas indicated that “it did not have any plans for expansion in the Rainbow Corridor based solely on a request for firm service in excess of available capacity in this Open Season.”³ SoCalGas goes on to state that it takes this position since the open season only allocates firm service for two years.

D.02-11-073 states that “[o]pen seasons can be a useful source of information about customers’ plans, but should not serve as a substitute for thoughtful system planning.”⁴ It further directs SoCalGas and SDG&E to issue a detailed resource plan in their next General Rate Case or Biennial Cost Allocation Proceeding (BCAP).

At the time the Commission adopted D.02-11-073, SoCalGas and SDG&E were scheduled to file an application for a BCAP proceeding. The Commission later ordered the utilities to withdraw the BCAP application, pending the implementation of the GIR decision, D.01-12-018. However, when SoCalGas filed its Application for its Cost of Service Proceeding, A.02-12-027, no testimony was included regarding its Resource Plan. The Assigned Commissioner’s Scoping Memo in that proceeding, dated April 2, 2003, directed SoCalGas and SDG&E to supplement their testimony by serving a

²SoCalGas Data Response #1, Response to Question #3, December 30, 2004.

³SoCalGas Data Response #1, Response to Question #3, December 30, 2004.

resource plan as defined in D.02-11-073 to demonstrate that their systems are adequate and they are positioned to comply with recently adopted reliability standards.³ On April 18, 2003, SoCalGas and SDG&E responded with a Motion seeking relief from various aspects of the Scoping Memo, including the requirement for supplemental testimony on the gas resource plans. On May 22, 2003, the Assigned Commissioner and ALJ issued a Ruling Clarifying the Scoping Memo and Modifying the Schedule which again directed the utilities to file detailed 15-year resource plans to be considered in the Cost of Service Proceeding, so that a revenue requirement for the investments could be established. SoCalGas and SDG&E filed supplemental testimony addressing their resource plans on June 16, 2003. This supplemental testimony was deemed to be “insufficient to reasonably inform ”⁴by the Commission in D.04-12-015, the Phase 1 decision in A.02-12-027, which again deferred hearing of the resource plans to the next BCAP.

The Rainbow Corridor is not just a SoCalGas local transmission line, but functions as a receipt point for virtually all of the gas that flows into the SDG&E territory.

Although SoCalGas has been given ample opportunity to present its resource plan to the Commission in both the last BCAP Proceeding A.98-10-12 and the Cost of Service proceeding A.02-12-027, it has been less than forthcoming regarding the future of its transmission infrastructure. It appears that SoCalGas and SDG&E would rather deal with their resource plans by Advice Letter on a piecemeal basis rather than in a formal Commission proceeding where interested and affected parties have the opportunity to examine the utilities’ proposals. As indicated earlier, SoCalGas has informed the Energy Division that it has no plans to improve its infrastructure to accommodate increased load, even if the proposed open season is oversubscribed.

We direct SoCalGas to present a detailed integration and capacity plan for the Rainbow Corridor to be considered in conjunction with A.04-12-004.

Any integration of SoCalGas and SDG&E transmission systems must provide for the significant role Lines 6900, 1027 and 1028 play in the transmission service of SDG&E.

We deny SoCalGas' AL 3425 without prejudice.

SDG&E AL 1488-G:

In D.02-11-073, SDG&E was ordered to hold an open season in its territory, the results of which would be in place for 24 months, or until D.01-12-018 was implemented. That 24-month period expires on April 30, 2005.

SDG&E was directed to hold another Open Season, once the GIR framework was ready to be implemented, so that changes resulting from the implementation of D.01-12-018 could be taken into consideration.⁵ But D.01-12-018 has yet to be implemented. At the time D.02-11-073 was approved the transmission rates for firm service and interruptible service were identical and all SDG&E gas customers were taking firm service. Decision 02-11-073 authorized SDG&E to charge different rates for firm and interruptible service, but deferred proposals on rate design and rate level to the next BCAP Application which was then withdrawn at the order of the Commission. The Commission does not presently have a scheduled date for the next BCAP application to be filed. The last BCAP decision, D.00-04-060, went into effect in April, 2000 – nearly five years ago. Since that time, numerous decisions have ordered the utilities to present or resolve issues in the next BCAP.

In order to accommodate the necessity to allocate capacity on the SDG&E transmission system, we approve SDG&E AL 1488-G with modifications.

As stated above, the 24-month period in which the results of the last SDG&E Open Season were awarded will be concluded on April 30, 2005. We authorize SDG&E to hold an open season, the results of which will be in place for 24 months or until a decision rendered in A.04-12-004 orders a different course of action, if such a decision is issued within 24 months. We direct SDG&E to remove any references to the SDG&E open season being held consecutively with the proposed SoCalGas Rainbow Corridor open season from its tariffs and bidding and award materials.

The two-year term of the last open season ordered by the Commission in D.02-11-073 is soon expiring, and there is no significant reason to wait for the establishment of Otay Mesa as a receipt point. The protest by Transcanada against SDG&E AL 1488-G is denied.

We don't yet know when that receipt point would be established, and SDG&E has indicated that even if when that receipt point is established it will not necessarily increase the amount of firm capacity on the SDG&E system.

While EGA has raised some valid questions concerning the need for an open season in the SDG&E service territory, we believe that, overall, there is still a potential need for SDG&E to allocate its firm transmission capacity via an open season. The protest by EGA against SDG&E AL 1488-G is denied.

EGA itself raises the possibility that the Palomar unit, projected for operation in June 2006, could add "a large new gas load" in the SDG&E service territory. Second, the terms of firm service for SDG&E were established in D.02-11-073, and we are reluctant to make a special exception for RMR units.

Although we don't necessarily agree with all of the points made by the protestants to AL 3425, those protests are essentially granted, since we are denying AL 3425 without prejudice.

COMMENTS

Public Utilities Code section 311(g) (1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Section 311(g) (2) provides that this 30-day period may be reduced or waived upon the stipulation of all parties in the proceeding.

The 30-day comment period for the draft of this resolution was neither waived nor reduced. Accordingly, this draft resolution was mailed to parties for comments, and will be placed on the Commission's agenda no earlier than 30 days from today.

FINDINGS

1. SoCalGas filed AL 3425 on November 8, 2004 requesting approval of an open season for allocation of firm transmission service to the Rainbow Corridor commencing on May 1, 2005.
2. SDG&E filed AL 1488-G on November 8, 2004 requesting approval of an open season for firm noncore gas service commencing on May 1, 2005.
3. Protests were filed on SoCalGas AL 3425 and SDG&E AL1488-G by EGA and Transcanada on November 29, 2004.
4. A protest was filed on SoCalGas AL 3425 by SCGC on November 29, 2004.
5. SoCalGas and SDG&E jointly responded to the above protests on December 6, 2004.
6. The utility response to the protest made no modifications or adjustments to accommodate protestants concerns.
7. SoCalGas and SDG&E have misinterpreted the rulings made in D.02-11-073.
8. The importance of the Rainbow Corridor for transmission service to SDG&E, and how it would affect the system integration proposal in A.04-12-004, needs to be more thoroughly examined in that proceeding.
9. SoCalGas AL 3425 should be denied without prejudice.
10. SDG&E's proposal for an open season in AL 1488-G should be adopted with modifications.
11. The protests of SCGC, Transcanada, and EGA against SoCalGas AL 3425 are granted.
12. The protests of Transcanada and EGA against SDG&E AL 1488-G are denied.

Therefore it is ordered that:

1. The request of SoCalGas for approval of an open season for allocation of firm transmission service to the Rainbow Corridor commencing on May 1, 2005 in Advice Letter 3425 is denied without prejudice.

2. The request of SDG&E for approval of an open season for firm noncore gas service in AL 1488-G is approved with modifications.
3. SDG&E shall file a supplemental Advice Letter to AL 1488-G within 5 days to remove references to the SoCalGas open season for the Rainbow Corridor.
4. SoCalGas shall file supplemental testimony in A.04-12-004 to provide a detailed explanation of potential capacity constraints along the Rainbow Corridor and how the pipeline capacity in the Rainbow Corridor could affect the system integration proposal in that application. The testimony should also discuss how to integrate the Rainbow Corridor both as a receipt point for SDG&E (with firm tradeable rights at that receipt point) as well as local transmission capacity for SoCalGas.
5. The effective date of the open season shall be the first of the month, following the open season period following Commission approval of this resolution.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on April 7, 2005, the following Commissioners voting favorably thereon:

STEVE LARSON

Executive Director